



## City Hall Diary: Fiscal Accountability for Non-profits

Posted by **Pierluigi Oliverio** on Monday, April 23, 2007

Do you remember getting an allowance as a kid? I do and it wasn't very much, so I had to learn to manage my money very carefully. My chores were visible to my parents and they judged me on my performance. They could clearly see if I was not performing up to par. In addition, my parents would oversee how I spent my money. They wanted to make sure I was not wasting it and that I spent it prudently.

This past week, at the April 17 city council meeting, my fellow councilmembers and I heard from the Mexican Heritage Corporation (MHC). As you may know, the MHC is suffering from severe financial trouble and they are looking for the city to assist them from their own short fall.

MHC is not alone. Within the past two weeks, Economic and Social Opportunities (ESO) closed its doors, and it was just within the past six months that The Rep was given \$1 million to keep its doors open. I haven't even mentioned the Northside Community Center for which its president bought computers for personal use. Unfortunately, these stories are not isolated incidents and the people who suffer are not the folks running the non-profits—their salaries have been paid—but those who depend on the service the non-profits provide.

The City of San Jose has got to do a better job in making non-profit agencies fiscally accountable. Therefore, I support the idea that non-profits who receive over \$100,000 from the City of San Jose should be required to publish their audited financials and balance sheets on their websites on a quarterly basis.

To be fair, non-profits are required by the State of California to publish an IRS Form 990 on <http://www.guidestar.org>. However, there are a few hiccups in retrieving the financial information:

- 1). A resident must actually know that GuideStar exists

2). A resident must enter personal information to access the database that could be considered an infringement upon personal privacy.

3). Pertinent financial information requires a \$1,500 annual subscription. This is an accessibility problem.

4) The IRS form 990 for MHC is available; however, it is not an audited statement and is dated from June 2005, making it 22 months old.

At the past city council meeting, the executive director of MHC assured me that MHC's financials were online. She misspoke. MHC has a City of San Jose operating grant form on their website—not a signed balance sheet. I spoke to our city auditor regarding this issue. He stated that he could not work judiciously with financial information that was over 22 months old.

Residents have a right to know how government is spending their money—this includes the agencies that government allocates money to. Therefore, I continue to stand by my belief that non-profits who receive over \$100,000 from the City of San Jose should be required to publish their financial statements online on a quarterly basis. Perhaps if the city had access to non-profit financials, we could have helped groups in difficulty sooner.

Non-profits serve fragile communities that otherwise would go without. The people who rely on non-profits deserve fiscal accountability from those who are managing the non-profits they depend on.

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